

Message Text

LIMITED OFFICIAL USE

PAGE 01 LONDON 02249 121514Z

65

ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 L-03 STR-04

PA-01 PRS-01 /076 W

----- 051170

R 121459Z FEB 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8939

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL BELFAST

AMCONSUL EDINBURGH

USMISSION EC BRUSSELS

USMISSION OECD PARIS

LIMITED OFFICIAL USE LONDON 02249

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: ECON, UK

SUBJECT: NEW PRICE CONTROLS ON CONSUMER GOODS

BEGIN SUMMARY. ADDITIONAL PRICE CONTROLS ON A SELECTED
GROUP OF CONSUMER GOODS WERE ANNOUNCED IN PARLIAMENT BY
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LONDON 02249 121514Z

PRICES AND CONSUMER SECRETARY SHIRLEY WILLIAMS. THE CON-

TROLS ARE THE FRUIT OF MONTHS OF COMPLICATED NEGOTIATIONS BETWEEN THE GOVERNMENT, THE PRIVATE SECTOR AND NATIONALIZED INDUSTRY. LARGELY ANTICIPATED BY THE AFFECTED PRODUCERS, THE CONTROLS' MAJOR IMPACT WILL BE POLITICAL RATHER THAN ECONOMIC. END SUMMARY.

1. THE LONG-AWAITED ANNOUNCEMENT OF A 5 PERCENT LIMIT FOR PRICE INCREASES ON A SELECTED LIST OF BASIC CONSUMER GOODS CAME IN A FEBRUARY 11 PARLIAMENTARY INTERVENTION BY MRS. SHIRLEY WILLIAMS, THE PRICES SECRETARY. THE CONTROLS WILL LAST FROM MID-FEBRUARY THROUGH MID-AUGUST AND WILL AFFECT SOME 60 CATEGORIES OF GOODS AND SERVICES ACCOUNTING FOR SOME 15 TO 20 PERCENT OF CONSUMER EXPENDITURE. MOST FOOD ITEMS ARE NOT COVERED ALTHOUGH BREAD, MILK, SUGAR, TEA AND BEER WILL BE SUBJECT TO THE CONTROLS. LIMITING PRICE INCREASE OF GOODS AND SERVICES PRODUCED BY NATIONALIZED INDUSTRIES PROVED TO BE VERY DIFFICULT. IN THE END ELECTRICITY, COAL AND STEEL, AND SOME POSTAL SERVICES WERE EXCLUDED.

2. ITEMS COVERED BY THE SCHEME WILL BE IDENTIFIED WITH SPECIAL TAGS (A RED TRIANGLE). COMPETITIVE PRESSURES ARE EXPECTED TO BE THE MAIN MEANS OF ENFORCING THE SCHEME. CONSUMERS WILL BE ABLE TO REPORT SUSPECTED VIOLATIONS TO THE PRICE COMMISSION FOR INVESTIGATION.

3. COMMENT. THE REAL ECONOMIC IMPACT OF THE SCHEME WILL BE MINIMAL. THE ITEMS COVERED CENTER ON MAJOR APPLIANCES, SMALL HOUSEHOLD ITEMS AND TOILETRIES WHERE DEMAND IS ALREADY SOFT AND PRICE INCREASES ABOVE THOSE PERMITTED BY THE SCHEME WERE UNLIKELY. IN ADDITION, SOME MANUFACTURERS OF ITEMS COVERED BY THE SCHEME HAVE ALREADY INCREASED THEIR PRICES IN ANTICIPATION. THE 1.7 PERCENT INCREASE IN THE JANUARY WHOLESALE PRICE INDEX FOR FINISHED GOODS IS AN INDICATION OF SUCH BEHAVIOR. IN EFFECT, THE 5 PERCENT SCHEME IS LARGELY POLITICAL IN MOTIVATION. IT IS AN INTEGRAL PART OF THE GOVERNMENT EFFORT TO DEMONSTRATE TO THE TRADE UNIONS THAT THEIR SUPPORT FOR THE PRESENT INCOMES POLICY IS NOT IN VAIN. SEEN IN THIS LIGHT, THE SCHEME IS NOT LIKELY TO RESULT IN ANY LASTING ECONOMIC LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LONDON 02249 121514Z

DISTORTIONS. THE CONFEDERATION OF BRITISH INDUSTRY AND THE RETAILERS ASSOCIATION HAVE NEGOTIATED WITH THE GOVERNMENT OVER A PERIOD OF MONTHS. THE COMPROMISE THAT HAS EMERGED WILL CAUSE LITTLE DAMAGE TO RETAILERS WHOSE PROFIT MARGINS ARE ALREADY QUITE THIN, WILL BRING LITTLE REAL BENEFIT TO THE AVERAGE CONSUMER, BUT WILL PERMIT BOTH THE GOVERNMENT AND THE UNIONS TO SCORE RHETORICAL POINTS BEFORE THEIR VARIOUS CONSTITUENCIES.

MILLER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMODITIES, CONSUMER PROTECTION, PRICE CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LONDON02249
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760054-0603
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760256/aaaabwqd.tel
Line Count: 117
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 26 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 MAR 2004 by ElyME>; APPROVED <01 JUL 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NEW PRICE CONTROLS ON CONSUMER GOODS BEGIN SUMMARY. ADDITIONAL PRICE CONTROLS ON A SELECTED
TAGS: ECON, UK
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006